

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER **1813**

HOUSE BILL NUMBER **447**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE AN ACT relating to the new markets development program tax credit.

SPONSOR Representative Westrom

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: **Finance and Administration Cabinet – Department of Revenue**

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				
EXPENDITURES				
NET EFFECT				

() indicates a decrease/negative

MEASURE’S PURPOSE: HB 447 makes various changes to the state New Markets Development Program Tax Credit, relative to what types of entities may qualify to receive allocations of credit, and it would allow the credits to be taken against the state bank franchise tax in addition to the income and insurance company taxes already permitted. The bill would also require the Department of Revenue to begin providing an annual report to the Legislative Research Commission (LRC), relating to the amounts of credits awarded, claimed, or recaptured, and the entities receiving the credit allocations.

PROVISIONS/MECHANICS: The bill amends KRS 141.432 to define terms; to amend the definition of "qualified community development entity" to allow an entity to qualify as such, and possibly receive credit allocations if it is certified under the federal New Markets Tax Credit program and either has a federal credit allocation for the current year or has its principal place of business in the state; and to allow the credits to also apply against liabilities for the state bank franchise tax. KRS 141.434 is amended to require the Department of Revenue to submit an annual report to the LRC to provide various information relating to the amounts of credits awarded, the amounts claimed, the entities receiving credit allocations and their proposed use of credit-related investments, and the amount of any recaptured credits. Conforming amendments

are made, and new sections of KRS Chapter 136 are created to provide for the ordering of credits against the bank franchise tax and taxes imposed on insurance companies.

FISCAL EXPLANATION: This bill will have no impact on state revenues, as it does not amend the existing statutory cap on the amount of tax credits that may be awarded for each year. Historically, the full amount of allowable credits have been awarded for each year since the initial creation of this program, and staff believes this trend will continue. While the bill would allow credits to offset bank franchise tax liabilities, the total amount of credits awarded will not change as a result of this legislation, and therefore no impact on the general fund should occur.

The reporting requirements contained in the bill will present new, additional administrative burdens on the Department of Revenue staff, however the cost thereof is expected to be minimal. The ability for taxpayers to use the credit against the bank franchise tax will also present some implementation costs to the department, however these are also expected to be minimal.

DATA SOURCE(S): Department of Revenue; LRC staff

PREPARER: Eric Kennedy **NOTE NUMBER:** 120 **REVIEW:** JRS **DATE:** 3/7/2016

LRC 2016-BR1813HB0447